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## **Impact of State Institutions on the Quality of Accounting Practice in Nigeria**

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### **Abstract**

Although institutions are assumed to play a role in the quality of accounting practice, their impact is not well understood in the context of Nigeria. Drawing on the perception of users and compliers of accounting information, this study empirically investigates the impact of state institutions on the quality of accounting practice in Nigeria. Using multiple regression analysis, the results of this questionnaire-based study, show that there is a fairly significant impact of state institutions on the quality of accounting practice in Nigeria. Though joint significance was observed, however, the level of impact differs among the institutions which implies that institutional regulations are not enough to ensure that the quality of accounting practice is high in Nigeria. These findings provide support for the need to streamline, strengthen and harmonize existing regulatory arrangements and codify them as separate law in order to enhance their effectiveness in regulating accounting practice. Thus, inconsistencies in the provisions of the institutions and differences in assessment of the quality of accounting practice by the relevant bodies would be minimised and monitoring and enforcement of regulations enhanced.

**Keywords:** Institutions, Quality of Accounting, Relevance, Reliability

### **Introduction**

The quality of accounting practice is essential to the needs of users who require useful accounting information for investment and other decision making purposes. This is also true at the macro level where the government at various levels require accounting information for the management of the economy. Accounting practice is regarded as useful when the information generated faithfully represents the “economic substance” of an organization in terms of relevance, reliability and comparability (Spiceland, Sepe and Tomassini (2001:36). In the context of Nigeria, however, there have been series of criticisms from various groups who have operational interest in financial reporting, including the World Bank, that accounting practice in Nigeria suffer from poor institutional weaknesses in regulation, compliance and enforcement of accounting standards and rules (Okike, 2004) and thus, does not meet the required quality.

The criticisms became pronounced due to the “spate of corporate failures” witnessed especially in the financial sector in Nigeria in the mid 1980s to early 1990s following the deregulation of the Nigerian economy. These incidents brought accounting practice into sharp focus. The incidents and criticisms have persisted even though there is a multiplicity of agencies and regulations whose provisions have implications for accounting practice.